

EMPLOYMENT RISES AND VACANCIES FALL, AS THE LABOUR MARKET CONTINUES TO SOFTEN

“The recent decline in unemployment is unsurprising, especially given the broader economic conditions. One possible explanation could be that companies are holding back on hiring until they fully understand the details of the new Employment Bill. Additionally, the continuing fall in vacancies could signal business caution rather than a reduced need for staff, particularly as the UK faces significant threats to competitiveness, including record numbers of workers approaching retirement.

In this challenging environment, companies must balance competing priorities, such as retaining and rewarding current staff, while stretching limited budgets. Strong relationships with recruitment partners are crucial to navigating these complexities when the time is right.”

**Carmen Watson, Chairperson,
Pertemps Network Group**

In the period between June and August 2024, wage growth across the economy remained strong, the employment rate increased, and high inactivity rate persisted. This paints a mixed picture of the labour market, with conditions cooling but limited labour pool hindering business's ability to grow.

The UK employment rate (for people aged 16 to 64 years) was estimated at 75.0% in June to August 2024, above estimates of a year ago and an increase on the last quarter. The UK unemployment rate (for people aged 16 years and over) was estimated at 4.0% in June to August 2024, slightly down on figures from last quarter and this time last year.

The UK economic inactivity rate for people aged 16 to 64 years was estimated at 21.8% in June to August 2024, below estimates of a year ago, and fell in the latest quarter.

In July to September 2024, the estimated number of vacancies in the UK decreased by 34,000 on the quarter to 841,000. Vacancies decreased on the quarter for the 27th consecutive period but are still above pre-coronavirus (COVID-19) pandemic levels. But based on current trends, could fall below this by the end of the year.

Payrolled employees in the UK decreased by 35,000 (-0.1%) between July and August 2024 but rose by 165,000 (+0.5%)

between August 2023 and August 2024. The early estimate of payrolled employees for September 2024 decreased by 15,000 (0.0%) on the month but increased by 113,000 (+0.4%) on the year, to 30.3 million. The September 2024 estimate should be treated as a provisional estimate and is likely to be revised when more data is received next month.

Annual growth in employees' average regular earnings (excluding bonuses) in Great Britain was 4.9% in June to August 2024, and annual growth in total earnings (including bonuses) was 3.8%. Annual growth in real terms (adjusted for inflation using the Consumer Prices Index including owner occupiers' housing costs (CPIH)) for regular pay was 1.9% in June to August 2024, and for total pay 0.9%

Despite a sustained period of cooling in the labour market, persistently high economic inactivity, falling unemployment and wage growth above inflation poses a risk of overheating when businesses attempt to grow. Later this month, businesses will be looking to the Chancellor to introduce specific measures to help unlock productivity-led growth. This includes announcing an immediate flexibility to the apprenticeship levy and introducing a comprehensive package of health tax incentives, including tax-free private medical treatment.

Please note: Increased volatility of LFS estimates, resulting from smaller achieved sample sizes, means that estimates of quarterly change should be treated with added caution.

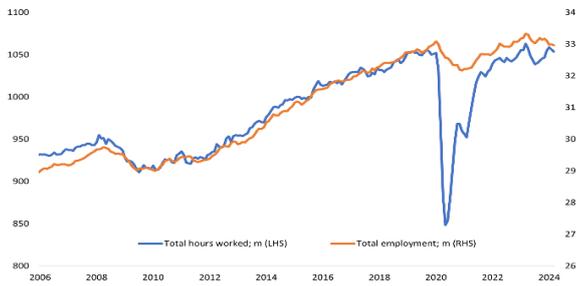
Exhibit 1 Vacancies (000s)



Source: ONS October 2024 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.0%	33,372	+373,000 (+1.1%)	+344,000(+1.0%)
Unemployment** (ILO)	4.0%	1,386	-142,000 (-9.3%)	-66,000 (-4.5%)
Youth unemployment (16-24)	13.7%	576	-10,000 (-1.7%)	+40,000 (+7.5%)

Exhibit 2 Employment vs actual weekly hours worked



Source: ONS October 2024 labour market statistics

Employment rate increases and vacancies continue to fall...

- The official measure of employment shows an increase of 373,000 in the three months to August 2024, compared with the previous quarter, and an increase of 344,000 relative to the same period a year ago. The employment rate is up on the quarter (+0.6%) and also on the year (+0.3%), standing at 75.0%.
- Male employment increased by 213,000 on the quarter to August 2024, while female employment increased by 160,000 in the same period. On the year, male employment increased by 147,000 and female employment increased by 198,000. The only age group to see a decrease in employment levels on the quarter were those aged 18-24 (-17,000) while those aged 16-17, 25-34, 50-64 and 65+ all saw an increase (+25,000, +41,000, +63,000 and +69,000, respectively). The largest quarterly increase in employment level by age group was across 35-49 year-olds (+192,000).
- The number of employees working full-time and part-time increased on the quarter by 184,000 and 211,000, respectively. The number of self-employed people working full-time fell on the quarter (-78,000) while the number of self-employed working part-time increased (+29,000).
- The number of payrolled employees for September 2024 decreased by 15,000 on the month but increased by 113,000 (+0.4%) on the year to 30.3 million. This should be treated as a provisional estimate and is likely to be revised when more data is received next month.
- There are 841,000 vacancies in the economy, 34,000 (-3.8%) fewer than in the previous quarter. There are 141,000 (-14.4%) fewer vacancies now than a year ago.
- Vacancies continue to concentrate in fewer sectors. The largest number of jobs available are in Human Health and Social Care sector (149,000), the Wholesale and Retail trade, repair of motor vehicles and cycles sector (104,000) and the Accommodation and Food service activities sector (95,000) (July – September 2024).
- There continues to be two sectors with more than 3.5 vacancies per 100 employees, down from 13 sectors at the peak of shortages in 2022. The most acute shortages are felt in electricity and gas (3.8), accommodation and food services (3.6) and health & social care (3.3).
- There were 31,000 working days lost because of labour disputes across the UK in August 2024.

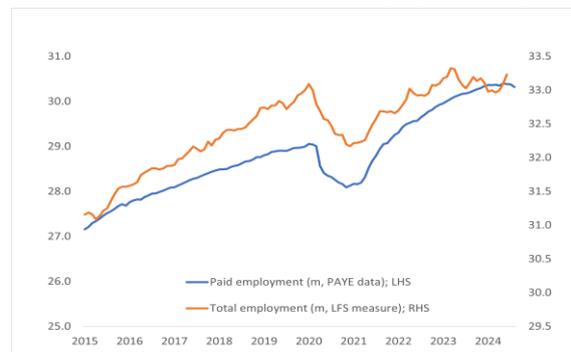
...while the unemployment rate decreases

- In the three months to September 2024, unemployment levels decreased to 1.39 million (-141,000). The unemployment rate decreased (-0.4%) on the last quarter to 4%. There are 66,000 fewer unemployed people compared to the same period in 2023.
- The redundancy rate decreased (-0.6%) in the quarter to August 2024 and stands at 2.8%.
- Economic inactivity figures decreased by 120,000 compared to the previous quarter and has increased by 14,000 compared to the same time last year. The inactivity rate is now 21.8%. The decrease is partly driven by the decline in economically inactive individuals who cite long-term sick (-62,000), temp sick (-19,000) and caring and family responsibilities (-32,000) as their primary reason for inactivity.

Pay growth remains strong but continues to plateau

- Nominal pay growth across the whole economy (excl. bonuses and before adjusting for inflation) stood at 4.9% on the year in the three months to August 2024 (the less volatile three-month rolling basis). This is marginally down from 5.1% last month and continues the slow decline we have seen over the past four months.
- In the three months to August, nominal regular pay growth stood at 4.8% in the private sector (slightly down from 5.0% in July 2024). In the public sector, nominal pay growth stood at (5.2%), also a decline from the figure released last month (5.7%).
- Across the different sectors, nominal annual regular pay growth was strongest in manufacturing (+6.0%) followed by Wholesale and retail and public sector excluding financial services (+5.1%) The weakest nominal annual pay growth was weakest in construction (4.2%).
- Real regular pay growth (excl. bonuses and adjusting for CPIH inflation) has decreased marginally (on the less volatile three-month rolling basis) and sits at 1.9%. Real regular pay for single-month changes year on year (excl. bonuses and adjusting for CPIH inflation) is 1.4%.

Exhibit 3 PAYE real time data vs official employment data (millions)



Source: ONS October 2024 labour market statistics

Employment levels across regions and nations paints a mixed picture...

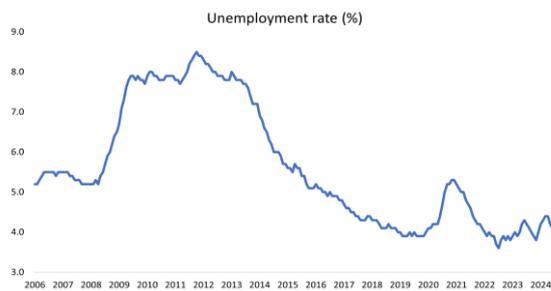
- In the three months to August 2024, employment levels observed the largest increases in the East of England (+50,000), the West Midlands (+48,000) and in London (+47,000).
- The only region in England to experience a decline in employment levels was Yorkshire and the Humber (-4,000).
- Employment increased in Wales (+23,000) and Scotland (+41,000) and decreased in Northern Ireland (-4,000).

Exhibit 4 Real regular pay and nominal regular pay growth (%)



Source: ONS October 2024 labour market statistics

Exhibit 5 Unemployment rate (%)

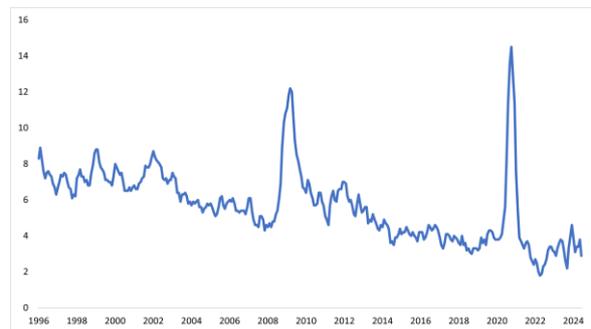


Source: ONS October 2024 labour market statistics

...while levels of unemployment continue to vary within and between nations

- In the three months to August 2024, unemployment decreased in all regions and nations except London (+21,000), Wales (+21,000) and the North East (+11,000),
- The greatest decreases in unemployment occurred in the North West (-41,000), West Midlands (-32,000), and East Midlands (-28,000).

Exhibit 6 Redundancy rate (%)



Source: ONS October 2024 labour market statistics



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It is made up of:

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The next Labour Market Update will be published on 12th November.

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